

Message Text

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SUBJECT: COMMERCIAL AGENCY TERMINATION LAWS

REF: STATE 127527

1. THE NEED TO LEGALLY CLARIFY THE PRINCIPAL-AGENT RELATIONSHIP IN FINLAND LED TO THE ESTABLISHMENT OF A COMMITTEE UNDER MINISTRY OF TRADE AND INDUSTRY SPONSORSHIP. THIS COMMITTEE HAS PRODUCED DRAFT LEGISLATION WHICH WAS SUBMITTED TO THE PARLIAMENT MAY 17, 1974, AND MAY BE ADOPTED THIS YEAR. SEE PARAGRAPHS 6 AND 7 FOR PROVISIONS OF DRAFT LAW COVERING TERMINATION AND COMPENSATION.

2. AT THE PRESENT TIME, WHEN THE AGENCY AGREEMENT ITSELF DOES NOT HAVE A TERMINATION CLAUSE SETTING FORTH THE REQUIREMENTS FOR THE AMOUNT OF ADVANCE NOTICE REQUIRED OR COVERING COMPENSATION, THE LEGAL SITUATION IS MURKY.

3. ACCORDING TO LOCAL OFFICIALS IN THE CHAMBER OF COMMERCE AND THE SOCIETY OF TECHNICAL IMPORTERS, A DECISION WOULD ESSENTIALLY BE MADE ON ITS MERITS BY A COURT TO WHICH A CASE HAD BEEN BROUGHT. THREE TO SIX MONTHS WAS CITED AS A NORMAL NOTICE PERIOD OF TERMINATION.

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4. AS FAR AS COMPENSATION, WHEN NOT CALLED FOR IN THE

AGENCY AGREEMENT, THERE IS RECOGNITION THAT THE AGENT IS ENTITLED TO GET HIS COMMISSION FOR SALES THAT TOOK PLACE AFTER THE TERMINATION OF THE AGREEMENT BUT DUE TO HIS EFFORTS. UNDER PRESENT LAW, IT WAS STATED THAT THERE IS NO ENTITLEMENT FOR OVERALL COMPENSATION FOR TERMINATION OF AN AGREEMENT. A CHAMBER OF COMMERCE REPRESENTATIVE STATED THAT IN MOST CASES THE MATTER WAS ACADEMIC SINCE, IN ORDER TO EFFECTIVELY OBTAIN DAMAGES, A FINNISH FIRM OBJECTING TO THE TERMINATION OF AN AGENCY WOULD HAVE TO BRING SUIT IN THE USA.

5. UPON PASSAGE OF THE PROPOSED LEGISLATION, WHICH WILL PROBABLY BE THIS YEAR, THE SITUATION WILL BE GREATLY CLARIFIED. THE COMMITTEE HAS BEEN IN TOUCH WITH EXPERTS IN ORDER NORDIC COUNTRIES SO THAT THE PROPOSED FINNISH LEGISLATION WILL BE IN HARMONY WITH LEGISLATION IN THE OTHER NORDIC COUNTRIES.

6. ACCORDING TO SECTION 21 OF THE DRAFT LAW, IF THERE IS NO EXISTING TERMINATION CLAUSE, THE AGREEMENT WILL TERMINATE THREE MONTHS FROM THE END OF THE CALENDAR MONTH IN WHICH NOTICE IS GIVEN. UNDER SECTION 23, THE AGREEMENT MAY BE CANCELLED AT ONCE BY EITHER PARTY IN CASE OF NEGLIGENCE.

7. COMPENSATION: UNDER SECTION 26 OF THE NEW LAW, AN AGENT IS ENTITLED TO COMPENSATION FOR INVESTED FUNDS IN BUILDINGS, INVENTORIES, ETC. IF UNABLE TO COVER SUCH EXPENDITURES OWING TO TERMINATION OF THE AGENCY AGREEMENT. FURTHERMORE, UNDER SECTION 23, A PARTY TO THE AGREEMENT IS ENTITLED TO COMPENSATION IF THE CANCELLATION IS DUE TO THE NEGLIGENCE OR BANKRUPTCY OF THE OTHER PARTY. THERE IS NO STATED FIGURE AS MAXIMUM LIABILITY.

8. THE EMBASSY HAS TRANSLATED RELEVANT PORTIONS OF THE DRAFT BILL AND CAN FORWARD THE TRANSLATION TO COMMERCE IF ADVISED WHICH OFFICE TO SEND THEM TO.
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